



# **American Rescue Plan Act (ARPA)**

## **Offset Provision**

### **OFFICE OF LEGISLATIVE RESEARCH AND GENERAL COUNSEL**

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# **American Rescue Plan Act (ARPA) – Summary**

- **Signed into law March 11, 2021**
- **\$1.9 trillion stimulus bill**
- **\$195.3 billion in aid to States (“Fiscal Recovery Funds”), approximately \$1.37 billion for Utah**
- **States must certify compliance with statutory conditions**
- **States that violate a condition must repay misused funds**



# Authorized Uses

- 1. COVID-19 Public Health Response**
- 2. Address Negative Economic Impacts of COVID-19**
- 3. Premium Pay for Essential Employees**
- 4. Replace Government Revenue Loss**
- 5. Water, Sewer, and Broadband Infrastructure**



# Prohibited Uses

- **Net Reduction in Tax Revenue**
- **Deposits into Pension Funds**
- **Deposits into Rainy Day Funds or Financial Reserves**
- **Debt Service, Legal Settlements or Judgments**



# The Offset Provision

**“A State or territory shall not use [Fiscal Recovery Funds] . . . to either directly or indirectly offset a reduction in . . . net tax revenue . . . resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax . . . or delays the imposition of any tax or tax increase.”**



# Compliance with the Offset Provision

- 1. Determine the total value of revenue reducing changes**
- 2. Calculate whether total value of the changes exceeds 1% of the 2019 tax revenue, adjusted annually for inflation (“baseline”)**
- 3. If so, determine whether the year’s actual tax revenue exceeds the baseline**
- 4. If so, identify and calculate the total value of changes that could offset the revenue reduction**
- 5. Determine whether any amounts are subject to recoupment**



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